

Budget Tidbits... just the facts

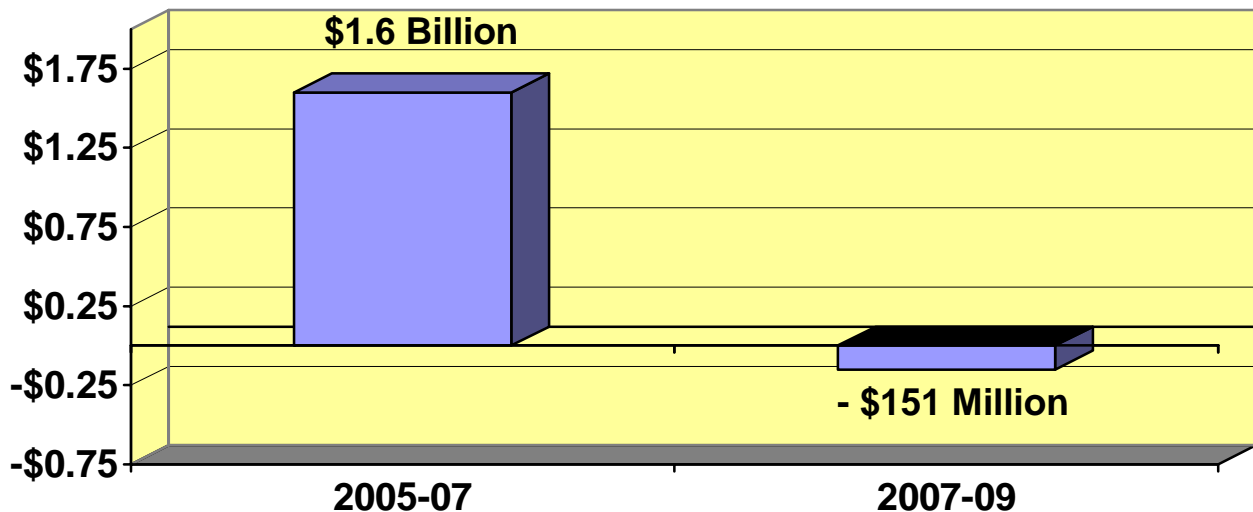
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Budget Brief #6: (2/17/06) Senate Supplemental Budget – Reserve Here Today, Gone Tomorrow

The Senate Democrats released their supplemental budget proposal this week, which projections indicate will result in the state's largest reserve in history vanishing in two years.

A. The Vanishing Reserve

Projected General Fund State Reserves



* Projection based on OFM outlook of Governor's budget (2/16/06), updated to reflect Senate spending, tax cuts, and bowwaves.

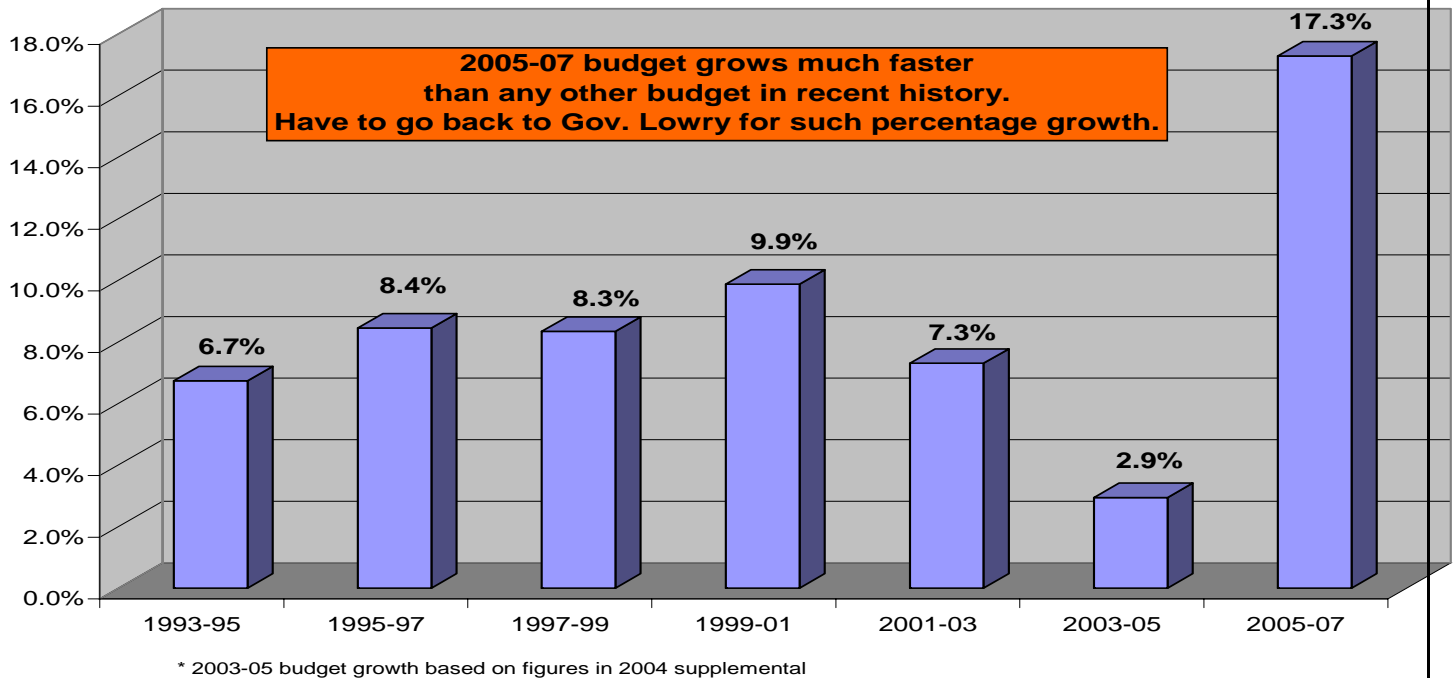
- State revenues are booming, resulting in the largest projected reserve in history. Yet the entire reserve is forecast to be gone by the end of next biennium if the Senate's supplemental budget is adopted. This, despite robust projections of almost 10% revenue growth next biennium.

B. Why Does the Reserve Disappear?

- Typically a supplemental budget merely "tweaks" the underlying budget, making adjustments for higher caseloads & costs to existing programs. These items cost \$51 million.

- The Senate supplemental budget goes much further, proposing more than \$600 million in new spending from the general fund. The vast majority of these are new programs & policies.
- When combined with the underlying budget, spending is over 17% higher than last biennium.

Historical General Fund Growth by Percent



- Here's the problem: The 17% growth carries forward with it similar costs next biennium when revenues are expected to grow 10%. While such revenue growth would have covered the expenses of any other budget over the last decade, it will be insufficient to cover the 2007-09 maintenance level costs, requiring the reserve to make up the difference.

Bottom Line

Something is fundamentally wrong if during a healthy & growing economy the state's largest reserve in history is spent in two years, leaving none for the next inevitable economic downturn.

Yet this is exactly the result of the Senate supplemental budget proposal.

Don't the citizens & taxpayers of the state deserve better?